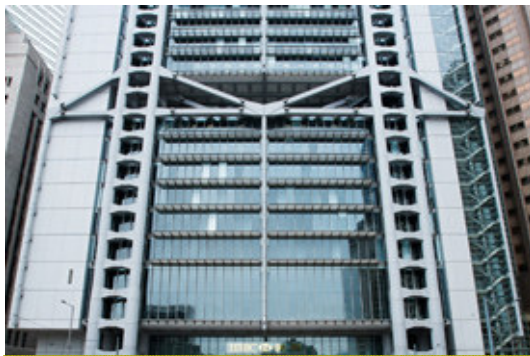


Hudson



January – March 2009



The Hudson Report

Hiring and HR Trends
HONG KONG

Introduction



The Hudson Report is a quarterly survey of forward-looking employer hiring expectations. The Report in Asia covers China (Beijing and Shanghai), Japan, Hong Kong and Singapore and now combines the expectations of nearly 3,000 key employment decision-makers in these four markets.

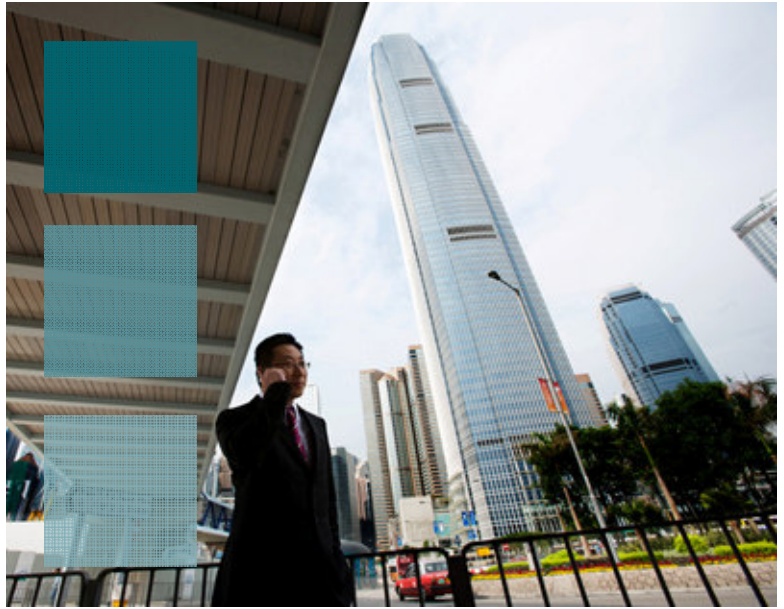
Participants in this survey are primarily executives at multi-national firms and were personally surveyed by Hudson consultants familiar with them and their industry sectors.

The Hudson Report receives extensive media coverage and acknowledgment from politicians, commentators and business leaders. In the years since its release in Asia in 1998, The Hudson Report has established a reputation as a key business and economic indicator, based on the premise that the expectation to increase or decrease staffing levels reflects employers' optimism about their markets.

HUDSON

Hudson (NASDAQ: HHGP) is a leading provider of permanent recruitment, contract professionals and talent management services worldwide. From single placements to total outsourced solutions, Hudson helps clients achieve greater organisational performance by assessing, recruiting, developing and engaging the best and brightest people for their businesses. The company employs more than 3,300 professionals serving clients and candidates in more than 20 countries. More information is available at www.hudson.com.

Key Findings



“HIRING EXPECTATIONS ARE STILL FALLING AND ARE NOW AT THEIR LOWEST SINCE Q4 2001, A SEVEN YEAR LOW. THE PROPORTION OF EMPLOYERS PLANNING TO CUT HEADCOUNT HAS RISEN SHARPLY.”

MARK CARRIBAN, MANAGING DIRECTOR, ASIA, HUDSON

There has been a further sharp fall in hiring expectations this quarter. In this survey of 812 executives in key business sectors, 18% plan to increase hiring in Quarter One (Q1) 2009, compared with 32% in Q4 2008.

- Hiring expectations in Hong Kong are lower than in the other markets surveyed in Asia;
- Most respondents expect to pay lower increases to attract new managerial hires and 33% say they will pay no increase at all;
- Year-end bonus payments are much lower than a year ago: only 1% plan to pay more than 20%, down from 30% in Q1 2008;
- Across all sectors, 60% of respondents forecast that their company will not meet its performance targets in 2009;
- Freezing headcount is the HR strategy most likely to be implemented in response to the downturn but many respondents say their company is now strategically hiring newly available talent.

Permanent hiring expectations



SHARP FALL IN EXPECTATIONS

Hiring expectations are still falling sharply. Across all sectors, 18% of respondents plan to hire more staff in Q1, down from 32% the previous quarter. Expectations in Hong Kong are lower than in the other markets surveyed in Asia.

Manufacturing

Manufacturing companies have the highest expectations, with 28% of respondents forecasting increased hiring, compared with 43% in Q4 2008. Although the economic downturn has affected discretionary spending, demand remains strong for non-luxury manufactured goods. Candidates are still being sought for quality, supply chain and compliance roles.

IT & T

Among IT&T firms, 20% of respondents plan to grow headcount, down from 34% in the previous quarter. Many companies have been affected by the decline in financial IT projects as banks reduce IT spending. However, employers are still prepared to pay a premium for candidates with both business and technology skills.

Legal

The Legal sector reports by far the sharpest fall in expectations, from 54% of respondents expecting to hire in Q4 2008, to just 17% this quarter. There is very little activity in Capital Markets and M&A but growing demand for lawyers with experience in Dispute Resolution and Insolvency. Some

local partnerships are still hiring as they have been less affected by the downturn than many of the large international law firms.

Banking & Financial Services

In the Banking & Financial Services sector, 16% of respondents forecast headcount growth, down from 25% in Q4 2008. Although Hong Kong may have been hit less hard than some other global financial centres, the focus on investment banking is causing severe problems. The substantial drop in market confidence means that expansion plans are on hold.

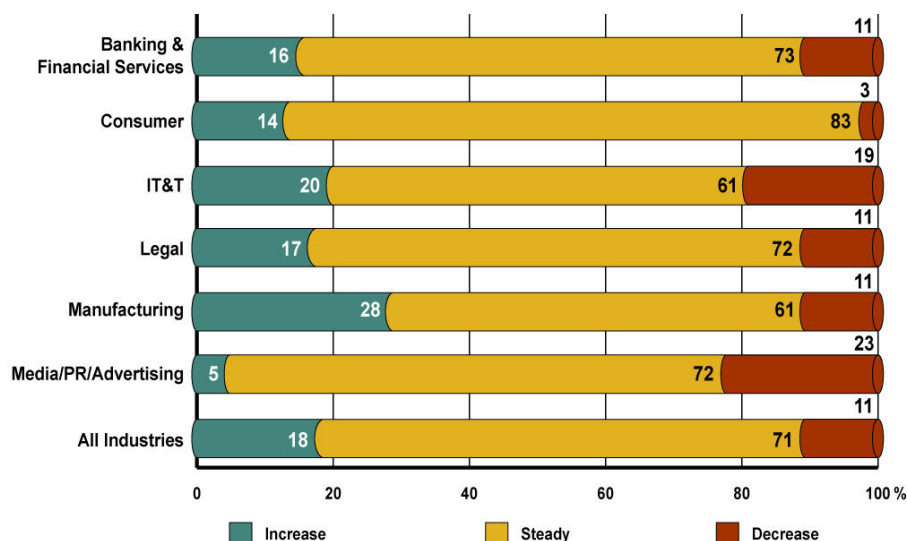
Consumer

Hiring expectations are also falling sharply in the Consumer sector, from 34% in Q4 2008 to 14% this quarter. However, just 3% of respondents plan to reduce headcount, a much lower figure than for any other sector. This sector is sensitive to consumer spending which is now falling, but there are still vacancies for operations staff and junior sales staff.

Media/PR/Advertising

The Media/PR/Advertising sector reports by far the lowest proportion of respondents planning to increase hiring and the most who forecast a reduction - 5% and 23% respectively. PR and marketing budgets tend to be cut very quickly when there is a downturn but there is still demand for professionals with crisis management experience and for digital media specialists.

Permanent hiring expectations in Hong Kong



Permanent hiring expectations over time



EXPECTATIONS AT SEVEN YEAR LOW

Hiring expectations have fallen dramatically over the past year and are now at their lowest since Q4 2001. The 18% of respondents in all sectors who expect to increase hiring this quarter compares with 58% in Q1 2008. By contrast, the proportion of respondents who expect to cut headcount has risen from 1% to 11%.

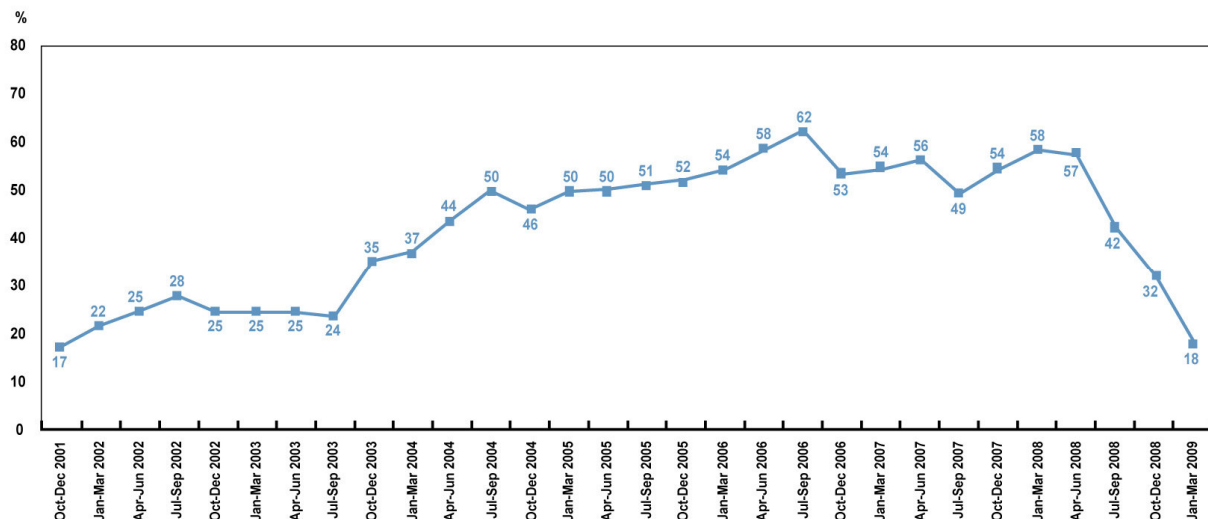
The Manufacturing sector reports the smallest year-on-year fall in hiring expectations, from 46% in Q1 2008 to 28% this quarter. Small and medium-sized manufacturing companies are being hit hardest by the downturn and some operations are closing down.

Legal firms are experiencing a particularly steep decline in

expectations: a very high 65% of respondents planned to increase hiring in Q1 2008, compared with just 17% this quarter. Over the same period the percentage of respondents forecasting staff cuts has risen from zero to 11%. There was a substantial volume of IPO work at the beginning of 2008 as China-based companies sought listings in Hong Kong but this has declined significantly.

Expectations in the Banking & Financial Services sector have also fallen sharply year-on-year. This sector was still close to its peak in Q1 2008 and 60% of respondents expected to hire more staff. Just 16% of respondents expect to do so this quarter. The financial sector is probably experiencing the worst of the credit crunch now and most institutions are reluctant to increase headcount.

Expectations to hire over time - Hong Kong



Pay increases for new hires



NEW HIRES CAN EXPECT MUCH SMALLER PAY INCREASES

One consequence of falling employment expectations is that the salary increases necessary to attract new managerial hires are much lower than in recent quarters. Overall, one-third of respondents – 33% - say they will not pay any increase to new hires, a large jump from the 5% who gave this response in Q1 2008. Just 11% expect to pay increases of more than 10%, compared with 59% a year ago.

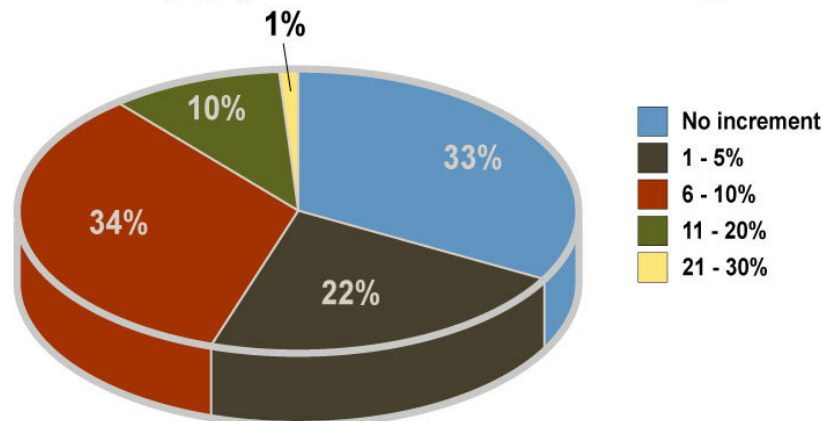
The fall in new hire salary raises is most drastic in the Banking & Financial Services sector: 39% of respondents do not expect to pay an increase, up from just 5% in Q1 2008. Only 1% are prepared to offer pay increases of more than 20%, while 29%

felt they had to do so a year ago. Bringing in new talent is clearly not a major priority for most banks.

New managerial hires in the IT&T sector can also expect much lower increases. In Q1 2008, 32% of respondents said they had to raise starting salaries by more than 20% to attract the managerial talent they wanted. No-one expects to do so this quarter. This shift is consistent with the sharp fall in hiring expectations in this sector.

Media/PR/Advertising firms are the least likely to offer pay increases to attract staff: 65% of respondents say they will offer no pay increase at all, up from 24% a year ago. This is a much higher figure than for any other sector and reflects the relatively limited margins in this business.

Average pay increase to attract a new manager



Year-end bonuses



BONUSES ALSO FALLING

As with new hire salary increases, respondents in all sectors report a steep decline in the level of year-end bonuses. Across all sectors, 23% say they will not pay bonuses, nearly three times as many as the 8% who said this in Q1 2008. Only 1% expect to pay bonuses of more than 20%, compared with 30% who said they would do so last year.

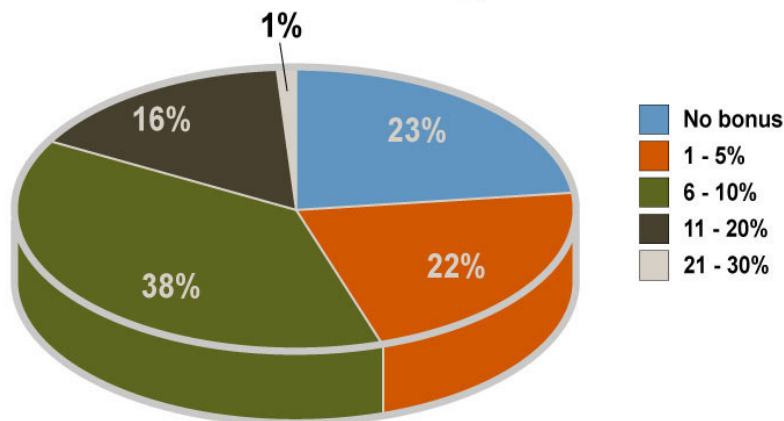
The very high bonuses paid to staff in the IT&T and Banking & Financial Services sectors in recent years have almost disappeared. In Q1 2008, 46% and 42% of respondents respectively said they planned to pay bonuses of more than 20%. No other sector came close to this level of bonus

payments. The change has been dramatic: no respondents in IT&T expect to pay year-end bonuses of over 20% and just 3% of respondents in banks say they will do so.

Very high bonuses are also disappearing in the Legal sector. Last year 6% of respondents said they would pay more than 40%. No one is paying more than 30% this year and just 3% plan to pay bonuses of more than 20%.

Employees in the Media/PR/Advertising sector are the least likely to receive a bonus: 70% of respondents are not expecting to pay any bonuses and no one will pay more than 10%. This industry has less of a tradition of offering substantial bonuses than most other sectors.

Year-end bonus range in 2008



Company performance in 2009



CONFIDENCE IS LOW

Across all sectors, 51% of respondents forecast that their company's performance will be average in 2009, while 9% say it will be poor. This means that 60% believe their company will not achieve its targets this year. Only 2% expect performance to be excellent.

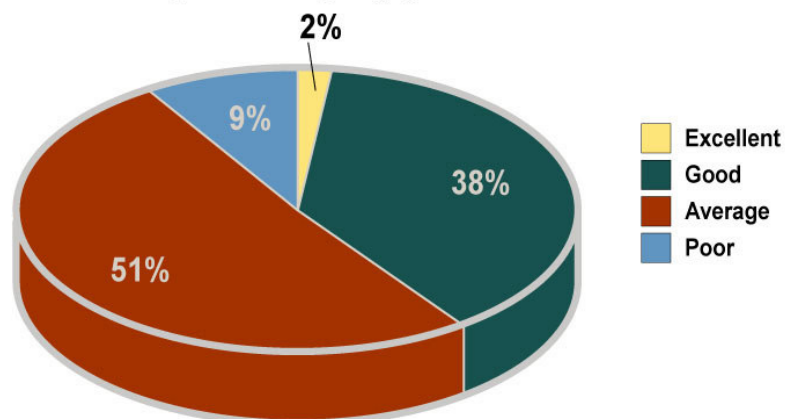
Respondents in the Manufacturing sector are the most optimistic, with 52% saying that company performance will be excellent or good in 2009. Companies that make staple products, for which there is demand regardless of economic conditions, still have plenty of work.

Confidence is particularly low in the Legal sector, where no

respondents predict that their company's performance will be excellent and just 26% expect it to be good. The major law firms have seen a steep decline in the volume of IPO and M&A work over the past year.

At 17%, the Media/PR/Advertising sector has the highest proportion of respondents forecasting that performance will be poor. None anticipate excellent performance and only 28% say it will be good. Firms in this business are not only affected by the economic downturn but also most are expecting a much leaner year than 2008 because many Macau-related projects are now complete and the Olympics are over.

Anticipated company performance in 2009



HR strategy



FREEZING HEADCOUNT IS THE MOST LIKELY RESPONSE TO A DOWNTURN

Respondents were asked about how their company's HR strategy has changed as a result of the current economic situation. Freezing headcount is the most common strategy, being mentioned by 31% of respondents across all sectors. Strategic hiring of newly available talent and global headcount approvals are mentioned by 20% and 19% of respondents respectively.

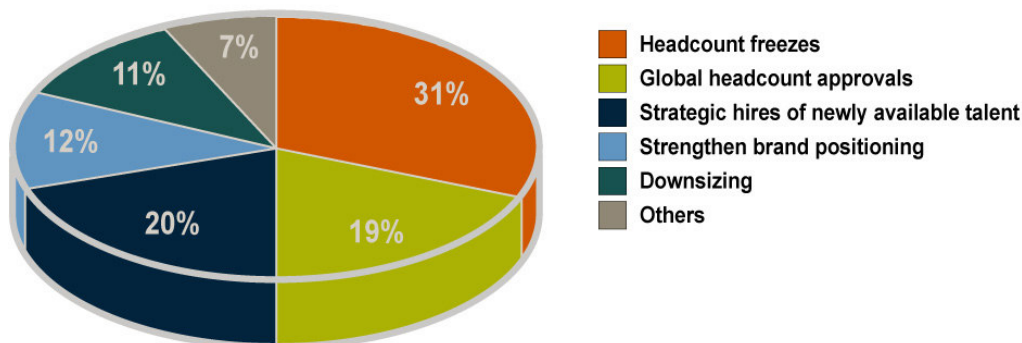
Headcount freezes are most likely to be implemented by companies in the Consumer and Manufacturing sectors: in both cases 34% of respondents give this response. Both sectors are sensitive to any downturn in consumer spending

but are trying to retain staff wherever possible.

The Legal and Banking & Financial Services sectors have the highest proportion of respondents saying that their company is strategically hiring newly available talent - 25% and 22% of respondents respectively. Although both sectors are severely affected by the downturn, this suggests that employers are preparing for recovery by acquiring talented candidates who might not otherwise be available. Banks are seeking staff in revenue-generating areas in Private Banking and Corporate Banking.

Overall, 11% of respondents mention downsizing as a new HR strategy, more than in the other markets surveyed. At 13%, the IT&T sector has the highest proportion of respondents giving this response. The number of staff required for financial IT roles has fallen sharply.

Change in HR strategies of companies



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